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April 3, 2009

VIA FACSIMILE TRANSMISSION
FAX NO: (703) 518-6319

Ms. Mary F. Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Re: Comments on Advanced Notice of Proposed Rulemaking for Part 704

Dear Board Members:

Calcasieu Federal Employees Credit Union, Calcasieu Teachers Credit Union and Southwest Louisiana Credit Union, are hereby collectively responding to the ANPR. We, jointly, service approximately 19,000 members in the Lake Charles, Louisiana area, and our asset sizes range from $14 million to $48 million.

Our Credits Unions are members of both or either Southwest Corporate and Louisiana Corporate. One or all of our credit unions depend on the corporate system for the following services: settlement, ach origination and receipt, domestic wires, lines of credit, cash management and investments.

We, as a group, have reviewed the ANPR related to the Corporate Credit Union Network and have formed the following response:

1. **The Roles of Corporate in the Credit Union System**
   Payment System – We believe it is not necessary to isolate the payment system services from other corporate business services to separate the risks. A division of services will undeniably result in higher user fees to natural person's credit unions.

   Liquidity – Liquidity was the founding purpose of corporate credit unions, but profitability has shadowed the liquidity core service and has evolved to be a required element in most corporate credit unions' framework. Should NCUA enforce cash flow measuring requirements, a long-term approach would be a more prudent method. For example, NCUA's plan of action, with the help of outside experts, could be to set a liquidity requirement, but accomplish the target by meeting minimal increases over a five to seven-year period.

Field of Membership – NCUA's decision to allow corporates to have national fields of membership is not the motivation for corporate credit unions' significant and unforeseen risk taking. In contrary, it is felt that natural person credit unions do not have a realistic choice of corporate credit unions due to the three-year requirement to remove capital. We propose that NCUA reduce the three-year waiting period on membership capital to 6-months, thereby encouraging corporate credit unions to refocus on quality of service and how they can best serve their members -- natural person credit unions. This renewed focus on member service would lead to increased efficiencies throughout the corporate system.

Expanded Investment Authority – Corporate credit unions should not have Expanded Investment Authority.

Structured, Two-Tier System – The two-tier structure was never the problem. The problem was in poor investment decisions coupled with a lack of diversification.

2. **Corporate Capital**
   Core Capital – As defined in CFR 704.2, the definition of capital should remain as *"the sum of a corporate credit union's retained earnings, paid-in capital, and membership capital."* A long-term approach of raising capital requirements would be appropriate only if corporates are required to rebuild their capital in stages (with utilizing profitability as a seed for this growth), meeting minimum levels over a five to seven-year period; and with NCUA's guidance that building capital for the corporate should not be accomplished by deteriorating natural person credit unions' net worth.

   Membership Capital Membership capital should remain as an alternative capital for corporates. As to the issue of NCUA delaying payouts of membership capital, after a three-year opt-out notice expires, is ludicrous. Natural person credit unions are members of corporates. Membership is choice. If a natural person credit union wants to close its membership, it should be unshackled from a corporate within six months. That gives a corporate plenty of time to improve its quality of service and refocus on its fundamental purpose to serve the natural person credit unions.

   Risk-based capital and contributed capital requirements A natural person credit union should not be required to maintain a contributed capital account with its corporates as a prerequisite to obtaining services from the corporate. Non-members pay higher expenses for services, thus producing higher revenue which ultimately has a positive effect on the corporate. Share balances change every day. If contributed capital is based on balances, the negative effect could be that natural person credit unions (especially smaller credit unions) will maintain minimum funds in their corporate credit union accounts.

3. **Permissible Investments**
Corporate credit unions do need a broader range of investment authorities in comparison to natural person credit unions in order to provide a return to members and maintain spreads. NCUA should have no authority as to prohibiting certain categories of, or specific investments. In fact, it would be prudent for NCUA to be more pro-active, with the direction of outside investment experts, in providing guidance to corporate credit unions as to a required need of diversification and limits as they relate to individual investment categories within the corporates' complex portfolios, while still allowing the corporates' investment experts the flexibility to manage their own portfolios.

4. **Credit Risk Management**
Credit ratings are a useful tool when a corporate is determining risk, however, other analyses should also be completed when evaluating a potential investment. The guidance mentioned under "3. Permissible Investments" should be included in the evaluation; due diligence in reviewing bonds, collateral packages, etc. should be documented; and stress tools should continue to be a key part of investment determinations.

5. **Asset Liability Management**
12 CFR Part 704.8 already requires stress testing and net interest modeling. We cannot fathom that a corporate is not, by now, using monitoring tools and testing credit spreads. However, if NCUA does see that this is a problem, it may be wise to recommend same in a NCUA Letter, with other corporate investment guidance.

6. **Corporate Governance**
The corporate governing board should not change. How the Board of Directors is elected by the membership reflects the entire credit union movement. As far as transparency, the IRS Form 990 for state chartered credit unions is a useful tool; federal charted corporate credit unions could disclose the same information to member credit unions via annual disclosure.

We cannot stress enough that NCUA should model its response to the corporate problems with a well thought-out long term approach. It is felt that any hasty mandates could negatively affect the entire credit union system, especially natural person credit unions. We further respectfully request that NCUA be transparent in the process of intentions with regards to this rule and anticipated guidance. Lastly, we would like to be reminiscent of the fact that we are all in this together. NCUA would not exist without credit unions; Corporate credit unions would not exist without natural person credit unions; and we, the natural person credit unions would not exist without our members. We plea that the members of the natural

1907

person credit unions are taken into consideration as NCUA formulates its final decisions in this matter.

Thanking you for the opportunity to respond to this ANPR, we are

Sincerely,	Sincerely,	Sincerely,
Jessica LaRocca	Bruce E Thomas	Jim Giffin
JESSICA LAROCCA, CEO	BRUCE THOMAS, CEO	JIM GIFFIN, CEO
CFECU, Charter # 61060	CTECU, Charter # 63142	SWLACU, Charter #62756